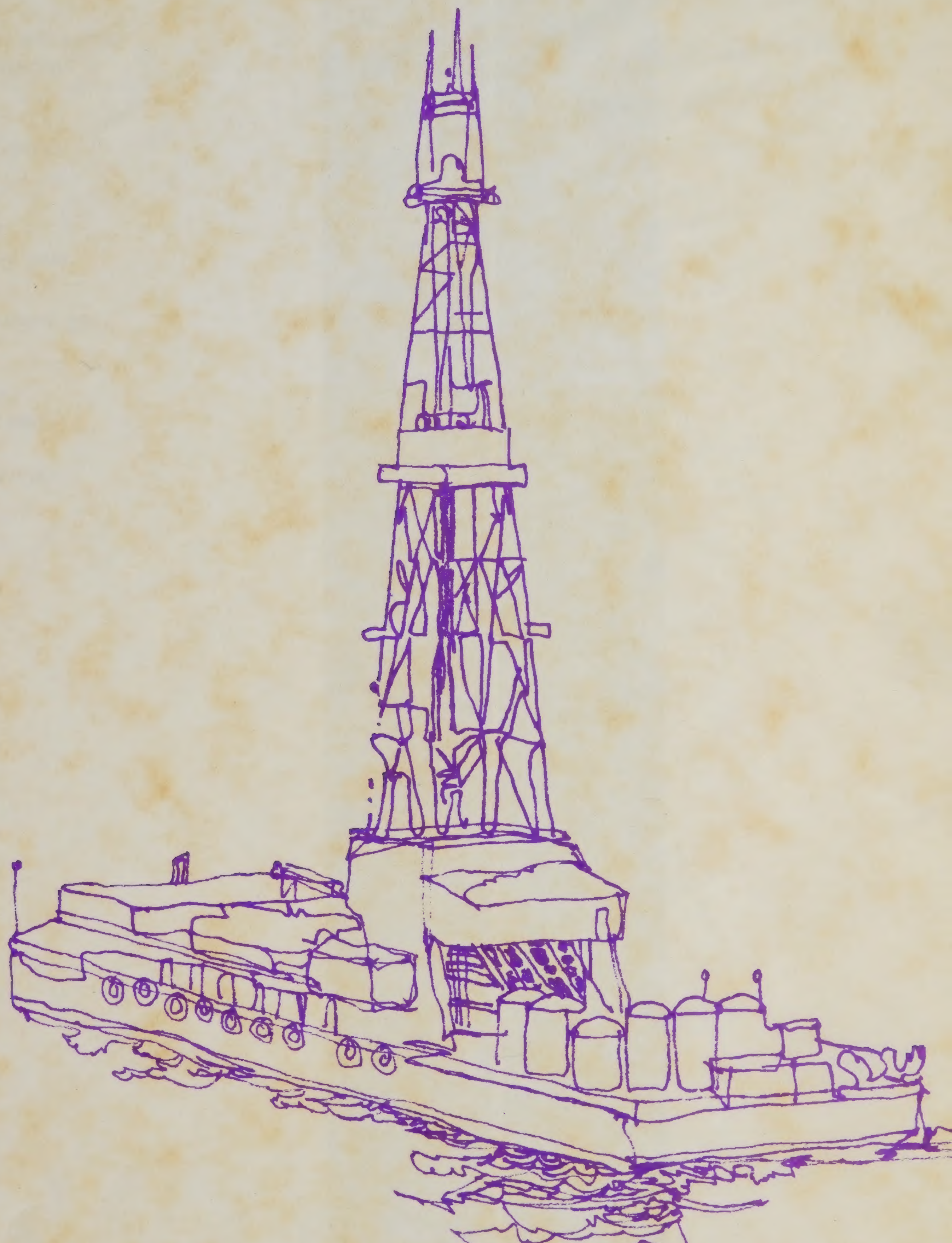
Petrofina Canada Ltd.
Sixteenth
Annual Report 1969

A picture of the Company's gas processing plant located at Wildcat Hills near Calgary, Alberta.

The Sketch on the front cover of the Annual Report is the artist's conception of the plant.

All the drawings in this report are the work of the artist Normand Lauzon, Montreal.



Artist's portrayal of the floating barge used to drill in Hudson Bay, during 1969.

Highlights of the Year

	1969	1968
FINANCIAL		
Revenues	$175,003,000	$162,712,000
Cash income (net income plus write-offs)	23,115,000	22,774,000
Net income (See Notes to Financial Statements)	13,374,000	13,014,000
— per Common Share	1.34	1.31
Dividends paid on Common Shares	6,969,000	5,961,000
— per Common Share	.70	.60
Capital expenditures	21,295,000	16,612,000
Long term debt at end of year	50,122,000	46,739,000
Shareholders' equity at end of year	153,208,000	146,750,000
OPERATING		
Production of crude oil and natural gas liquids — gross (barrels)	5,324,000	5,151,000
Natural gas produced and sold — gross (thousands of cubic feet)	27,945,000	24,969,000
Sales of sulphur (long tons)	106,000	52,000
Crude oil runs to refinery (barrels)	19,125,000	17,666,000

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Senior Partner, J. R. Timmins & Co.

Baron Wolters
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*DECEASED

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Chief Executive Officer

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President

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Vice-President (Marketing)

Donald S. Harvie
Vice-President
(Exploration and Production)

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Vice-President and Comptroller

J. F. Mills
Vice-President (Manufacturing)

K. S. C. Mulhall
Vice-President and Treasurer

A. W. McLeod
General Counsel and Secretary

Executive Offices

The Royal Bank of Canada Building,
1 Place Ville Marie,
Montreal 113, Quebec, Canada

Auditors

Clarkson, Gordon & Co.

Transfer Agent

Montreal Trust Company

Registrar

The Royal Trust Company

Ce Rapport a été publié en français et en anglais. Si vous préférez un exemplaire français, veuillez en faire la demande au:
Secrétaire, Petrofina Canada Ltée
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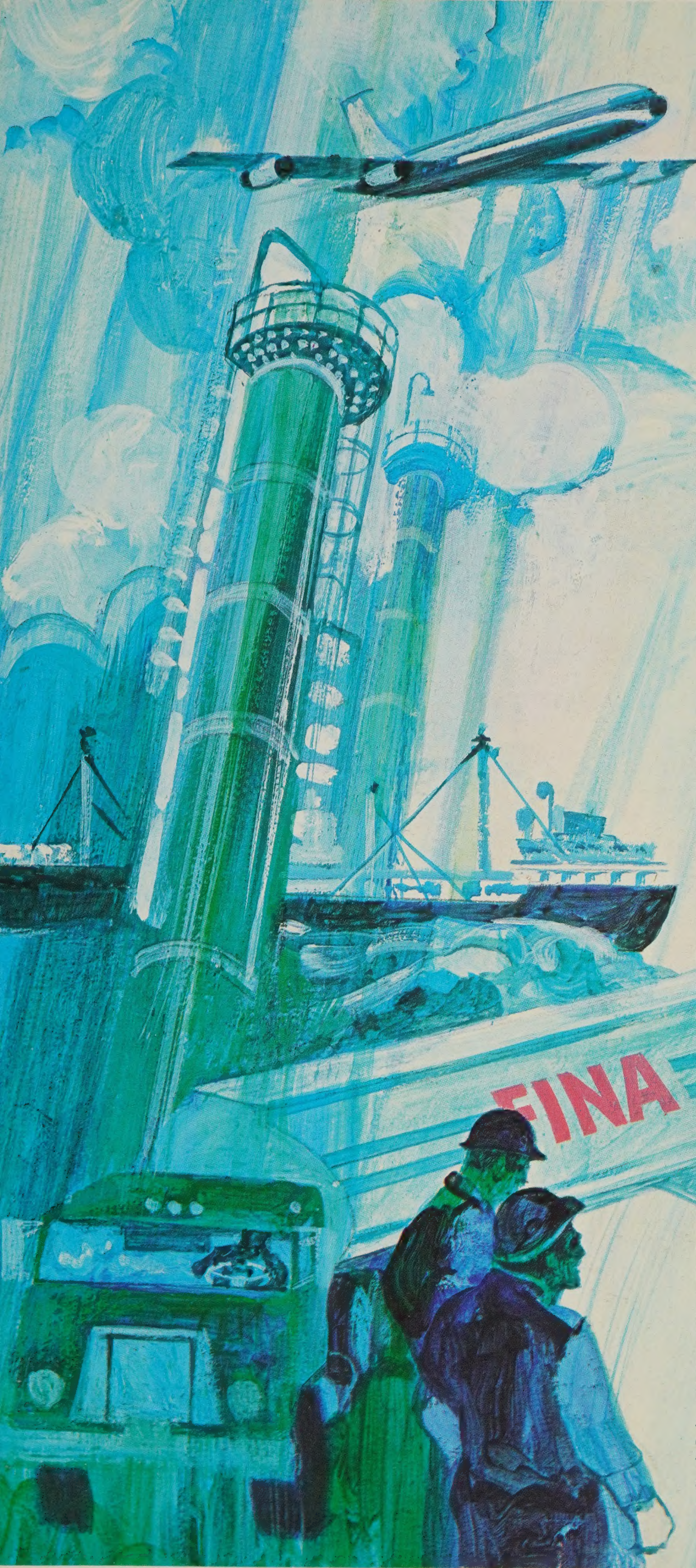
Montréal 113, Québec, Canada



To the shareholders

The most prominent features of Canada's economic picture in 1969 were a further marked rise in prices and costs together with increasingly stringent financial conditions. In absolute terms, the money supply declined slightly while the cost of money increased by well over 20% in all segments of the market.

The extent of personal consumption expenditures was a key factor in the surge of economic activity, particularly during the first half of the year. Wages and salaries increased substantially but some of the additional income was absorbed by higher prices and taxes. With the high rate of personal spending, and only a modest improvement in available income, the rate of net savings showed an appreciable decline in 1969.

Unemployment increased to about 5% of the labour force but in spite of this and the effect of strikes, industrial production was greater by 5%.

Exports increased by about 10% mainly in sales to the United States. However, imports also increased at a slightly higher rate and the net result was a reduction in Canada's trade surplus.

Gross National Product reached approximately $78 billion, an increase of 9% over 1968 but half of this represented price increases.

The Canadian petroleum industry continued its strong growth in 1969. Production of crude oil and natural gas liquids was greater by about 10% and reached a record of 1,320,000 barrels per day. Much of the growth was occasioned by increased exports to the United States. These reached 550,000 barrels per day, an improvement of 18% over the previous year. Deliveries to refineries advanced by 10% to 770,000 barrels per day. Natural gas sales averaged 4.280 billion cubic feet per day in 1969, which was greater by 12½% than the previous year. About half of this gas was exported to the United States.

Domestic consumption of petroleum products in Canada reached 1,400,000 barrels per day, an increase of 5.5% over 1968.

Earnings for the year 1969 amounted to $13,374,000, or $1.34 per share; cash generated from operations was $23,115,000. However, commencing in 1969, one of the Company's major subsidiaries adopted the unit of production method for calculating depreciation on equipment used in its operations. Had this change not been made, net income for the year would have been less by $618,000. A fuller explanation of this change appears in the Notes to the Consolidated Financial Statements. During the year, dividends were increased from 60¢ to 70¢ per share. These dividends are eligible for a 10% depletion allowance in addition to the 20% normal allowance granted to taxpayers who are residents of Canada. Additional information relating to the Company's financial results appears elsewhere in this report.

As at December 31, 1969, the Company had 1,616 employees. The continued dedication of the staff in the performance of their duties is recognized and appreciated.

EXPLORATION AND PRODUCTION

The Company's wholly-owned subsidiary, Canadian Fina Oil Limited, continued to carry on an active exploration and production programme during 1969.

The petroleum rights held by the Company range through a wide area of geological interest, extending from the Yukon, Northwest Territories and British Columbia to the foothills of Alberta and the prairie regions. The holdings also include large blocks of permit acreage in Hudson Bay and the Maritime Provinces. At December 31, 1969, the Company held interests in 76.7 million acres in which the net share amounted to 10.4 million acres, compared to 11.3 million acres at the end of 1968. The decrease from the previous year is essentially the result of relinquishing some Hudson Bay lands referred to below and the conversion to lease of permit-type acreage in Alberta.

No major new discoveries were made but satisfactory increases in proven Company reserves were recorded. Plants were either under construction or completed in order to market gas from three new fields where we hold significant interests. Entry into a large new exploration prospect was negotiated in the Ft. Simpson area of the Northwest Territories and offshore drilling was either commenced or committed for on our other two large scale projects in the Maritimes and Hudson Bay regions.

The Company participated in the drilling of 85 wells on properties in which varying interests are held. Through farmout and other arrangements, the Company's share of the costs of 23 of these wells was borne entirely by others in accordance with the contractual obligations concerned. Such arrangements can speed up the evaluation of our holdings and at the same time remove or reduce considerably our exploration risk in drilling dry holes. The drilling programme resulted in 14 oil wells, 1 dual zone oil well, 26 gas wells, 2 dual zone gas wells, 1 water injection well, 1 suspended well and 37 abandonments. Three wells were drilling at year-end.

Extensive geophysical operations were carried out independently and in participation with other companies on a number of properties, including the Maritimes and several areas of northern and central Alberta.

Following interpretation of the extensive seismic data, the Company and its associates plan to drill two separate offshore structures found on the 10 million acre Maritime Project. The programme will commence this spring using a large barge which will be anchored to the ocean floor over the well sites. Considerable time was spent in 1969 in undertaking the necessary advance planning for this 25% owned project.

Early in the year, a 25% interest in a large prospective land block was negotiated, adjacent to Ft. Simpson, in the Northwest Territories. A total of 390,000 acres is involved and the earning obligations will include both seismic and drilling over a 4 year period. This transaction assures us of participation in another basin which is currently the subject of a large industry expenditure; including the drilling of some 20 wells.

Reference was made last year to the Benjamin Creek gas project in the Alberta Foothills, but we have not been successful in stimulating the tight pay zone of the two completed wells in order to permit good producing rates. Therefore, no firm plans are being made to place the field on production.

A significant operation during the year was the drilling of an offshore well in Hudson Bay on a large block of Federal permit lands in which the Company holds a 6¼% interest. This exploratory well, Walrus A-71, was drilled to 3926 feet under difficult conditions during the short ice-free season. There were some encouraging indications at this depth but we were forced by the weather to move out of the area and future plans include additional seismic work, along with a technical study of the problems entailed in deepening the existing well and further drilling. Some 11 million permit acres of a less attractive nature were released along the thin western edge of this basin from the total 70 million acre holding. A further well was drilled near Pen Island for stratigraphic information.

In the vicinity of the Ricinus-Strachan trend, the Company farmed out 6,000 acres at Sundre to a major company. We subsequently joined them, to the extent of 20%, in the purchase of an adjacent Drilling Reservation comprising 12,000 acres for $3.2 million. A deep exploratory well, commenced in January, 1970, is now being drilled, at no cost to the Company, to evaluate this important prospect.

At Kaybob South, the Company holds an equity of 8.8% in Kaybob South Unit No. 2 and approximately 7.3% in Kaybob South Unit No. 3. The 1969 development programme for the area proceeded according to plan and the processing plant and field gathering system for Unit No. 2 were substantially complete at the end of 1969. These facilities will commence gas deliveries in 1970. In compliance with Alberta Conservation Board approval of the reservoir cycling procedure, Unit No. 2 will deliver daily quantities averaging at full plant capacity, 21 million cubic feet sales gas; 13,000 barrels of condensate; and 1,000 long tons of sulphur. The Unit No. 3 facilities and plant are in the early stages of construction and are not expected to be in operation until mid-1971, at which time this Unit is expected to deliver 54 million cubic feet sales gas; 34,000 barrels of condensate; 15,000 barrels liquid petroleum gas; and 2,600 long tons of sulphur per day. The Company will invest some $9.5 million for its share of these facilities and has contracted its sales gas from this field to Northern Natural Gas Company for export to the U.S.A. — subject to all necessary export approvals.

One of the Company's newly designed service stations.

In the Figure Lake area of northeastern Alberta, the Company completed construction of a wholly-owned gas gathering system, including compressor station and dehydration plant. The facilities were placed on stream in October at daily rates averaging 8 million cubic feet of saleable gas.

Construction of a $1.5 million gas processing plant and gathering system at Greencourt, Alberta, was commenced in August and is expected to be completed by the end of April, 1970. The Company is the operator of the proposed gas unit and holds approximately a 20% interest in the facilities, wells and unitized lands.

At Wildcat Hills, the gas plant operated by the Company and 18% owned, delivered an average of 76.7 million cubic feet per day of sales gas, which is the highest rate since operations commenced in 1962. During the year, a new and larger tail gas incinerator and stack were placed in service to minimize air pollution.

The success of step-out drilling at Rigel, British Columbia, has indicated a material extension of the gas reservoir and possibly a commercial oil producing zone. The Company's share of gas sales, before royalty, from this field averaged 5.6 million cubic feet daily in 1969.

The participants in the Athabasca Oil Sands Project, in which the Company holds a 35% interest and is operator, decided to suspend the 3 year experimental in-situ recovery program at the Steepbank lease 25 miles north of Fort McMurray. Approximately $1.6 million was expended and, while no major breakthrough in recovery process can be claimed, a great deal of technical knowledge and experience was obtained which maintains our group in a satisfactory competitive position. Consideration is being given to applying for patent protection in certain fields arising from the experimental work.

The Company's production of crude oil and natural gas liquids for 1969, before royalty, amounted to 5.32 million barrels compared to 5.15 million in 1968. The 1969 daily average was approximately 14,600 barrels, an increase of over 500 barrels per day from the previous year.

Natural gas sales, before royalties, were approximately 28 billion cubic feet, an increase of almost 3 billion over 1968.

Sulphur sales were 106 thousand long tons compared to 52 thousand long tons the previous year. The trend toward materially lower prices for this product continued and the Company ended the year with a cumulative stockpile of 33,000 long tons.

The Company's share of proven oil and natural gas liquids reserves was estimated at year-end to be approximately 114 million barrels, before royalty, but after deducting 1969 production. The comparative figure at the end of 1968 was 110 million barrels.

Reserves of natural gas, after deducting 1969 production, increased almost 7% over 1968 from 701 billion cubic feet to 749 billion cubic feet. Sulphur reserves were 3.1 million long tons compared to 2.8 million long tons last year.

SUPPLY AND REFINERY SALES

During the year, 19,310,000 barrels of crude oil were delivered to the refinery at Pointe-aux-Trembles. This is an increase of 9.3% over the previous year.

The Company was able to avoid the upward pressure of marine transportation costs because of arrangements previously made.

In 1969, the total volume of petroleum products distributed was approximately 600 million gallons.

The Company conducted petrochemical operations at full capacity during the year and total production was disposed of in the domestic and export markets.

Petrochemicals produced by the Company included propylene trimer, polyisobutylene, nonenes and vanadium pentoxide.

MANUFACTURING

Despite a prolonged shutdown of the catalytic cracking facilities, the refinery processed a record volume of 19,125,000 barrels of crude oil during 1969 at an average rate of 52,400 barrels per day. These figures represent an increase of 8.3% over the previous year.

To provide for greater volume of crude oil throughput, a number of modifications to the refinery were effected. These included changes to the catalytic cracking vapour recovery unit, construction of a new saturated gas concentration unit and conversion of the ultraformer into a hydrofiner. A new 750,000 lb. per hour deaerator unit was also installed in order to improve boiler operations.

Consistent with market demand, it was necessary to change the product-mix output of the refinery. Significant improvements in output occurred in jet fuel, asphalt and motor gasoline.

The Company continues to recognize the need for pollution control and in 1969, substantial funds were expended in this respect.

A considerable amount of engineering and planning work was completed in 1969 in connection with further expansion of the refinery and the installation of new units to broaden the range of petroleum and petrochemical products. Major construction work will commence in the spring of 1970 and completion of the whole project is anticipated by mid-1972.

MARKETING

The total volume of refined petroleum products sold during 1969 exceeded 600 million gallons. This was substantially greater than the amount for the preceding year.

In the retail gasoline field, the Company continued its programme of disposing of old and unprofitable outlets, constructing new ones and enlarging existing outlets.

In 1969, we concluded that oil company promotions involving games, give-aways and gimmicks were not in the ultimate interest of the motoring public, and that all marketing practices that would lead unnecessarily to higher costs and prices should be discontinued.

Concurrently with this decision, the Company embarked on an intensive effort to develop programmes designed to bring about:

a. a reduction in the cost of operation of motor vehicles,

b. an improvement in the number and quality of products and services afforded to the public, and

c. a higher degree of motoring safety.

Substantial support for this approach was received from the public in the Company's marketing area.

Continued emphasis was also placed on the retail sale of fuel oils and in this respect, a new Retail Fuel Oil Division was established. To assist in the development of fuel oil sales, the Company also began the marketing of home-heating and associated equipment. These units are now sold under the Fina trademark.

The number of different grades of asphalt manufactured by the Company has been expanded with good results. Also, a new storage plant for road asphalt was completed near our Toronto terminal during the past year.

FINANCIAL REVIEW

During 1969, consolidated earnings of the Company were adversely affected by a combination of factors. The price obtained for bunker fuels was substantially below that applicable to the previous year, as a result of heavy pressure from imports. Also, due to a major overhaul, the catalytic facilities at the Company's Pointe-aux-Trembles refinery were shutdown for a prolonged period.

For the year ended December 31, 1969, net consolidated earnings amounted to $13,374,000. A statistical comparison with previous years is as follows:

	1969	1968	1967
Net income*	$13,374,000	$13,014,000	$10,706,000
Net earnings per share	$1.34	$1.31	$1.08

A view of the Company's Computer Room located in Place Ville Marie, Montreal.

*If a change in the method of calculating depreciation had not taken place in 1969, profits would have been reduced by $618,000. This change is referred to in detail in the Notes to Consolidated Financial Statements.

Cash generated from operations on a comparative basis was as indicated:

	1969	1968	1967
Cash generated from operations	$23,115,000	$22,774,000	$21,082,000
Cash generated per share	$2.32	$2.29	$2.12

In 1969, dividends totalling 70¢ per share were paid, being an increase of 10¢ per share over the previous year. The total amount paid to shareholders was $6,969,000.

The following capital amounts were invested in properties, plant and equipment:

Exploration and Production	$12,166,000
Refining	3,070,000
Marketing	5,845,000
Other	214,000
	$21,295,000

At the year end, working capital amounted to:	$14,183,000

During 1969, after extensive studies, the Company decided to proceed with plans to expand its refinery at Pointe-aux-Trembles, and to construct new facilities including an aromatics plant which will produce benzene, toluene and xylenes. The estimated cost of these facilities will be approximately $44,000,000, for which financing has been arranged.

Submitted on behalf of the Board

A. Campo

Chairman of the Board and
Chief Executive Officer

March 3, 1970

Petrofina Canada Ltd. and Subsidiaries
(Incorporated under the laws of Canada)

Consolidated Balance Sheet

December 31, 1969
(with comparative figures at December 31, 1968)

ASSETS	1969	1968
CURRENT:		
Cash	$ 4,118,489	$ 3,359,725
Accounts receivable, less allowance for doubtful accounts	37,137,579	40,944,293
Due from affiliated companies	11,603,590	215,631
Inventories – (note 1)		
Oil products and other merchandise	16,016,082	15,823,487
Materials and supplies	1,522,766	2,032,381
Prepaid expenses	1,340,581	721,181
Total current assets	71,739,087	63,096,698
INVESTMENTS AND ADVANCES – at cost:		
Investments in other companies	2,766,692	2,816,693
Investment in and advances to an affiliated company (note 2)	2,286,225	661,072
Exploration, development and production deposits	811,543	911,807
Mortgages and other advances (note 7)	8,250,727	7,384,783
	14,115,187	11,774,355
PROPERTIES, PLANT AND EQUIPMENT – (note 3)	171,957,080	163,269,010
DEFERRED CHARGES:		
Unamortized debt discount and expense	41,870	59,813
Other	1,270,791	1,059,328
	1,312,661	1,119,141
PREMIUMS PAID ON ACQUISITIONS – at cost	7,590,984	7,604,879
	$266,714,999	$246,864,083

On behalf of the Board:

Director A. F. CAMPO

Director J. R. PATTON

(See accompanying notes to the consolidated financial statements)

LIABILITIES AND SHAREHOLDERS' EQUITY	1969	1968
CURRENT:		
Accounts payable and accrued charges	$ 20,754,288	$ 15,184,839
Due to affiliated companies	5,099,538	8,341,785
Due to parent company	2,857,833	17,793,290
Notes and bills payable	23,940,847	1,500,000
Current maturities of long-term debt	4,903,426	4,690,723
Total current liabilities	57,555,932	47,510,637
ADVANCES BY PARENT COMPANY (U.S. $5,000,000) not due within one year	5,364,063	5,364,063
LONG-TERM DEBT (note 4)	50,122,470	46,738,863
MINORITY INTEREST	464,886	500,706
Total liabilities	113,507,351	100,114,269
SHAREHOLDERS' EQUITY:		
Capital – (note 5)		
Common shares of $10 par value:		
Authorized – 12,000,000 shares		
Issued – 9,958,974 shares (1968 – 9,953,824 shares)	99,589,740	99,538,240
Contributed surplus (note 5)	15,508,498	15,506,648
Retained earnings (note 4)	38,109,410	31,704,926
	153,207,648	146,749,814
COMMITMENTS AND CONTINGENCIES (note 7)		
	$266,714,999	$246,864,083

(See accompanying notes to the consolidated financial statements).

Petrofina Canada Ltd. and Subsidiaries

Consolidated Statement of Income and Retained Earnings

For the Year Ended December 31, 1969
(with comparative figures for the year 1968)

	1969	1968
Gross income:		
Operating income	$173,409,376	$161,146,306
Interest and other income	1,593,720	1,566,424
	175,003,096	162,712,730
Operating charges:		
Costs, operating, selling and general	145,265,560	133,844,356
Taxes other than income taxes	3,644,691	3,181,676
Depreciation (note 1)	5,955,588	6,247,644
Depletion	3,602,687	3,316,061
	158,468,526	146,589,737
	16,534,570	16,122,993
Interest and discount on long-term debt	3,138,069	3,086,065
Income before minority interests	13,396,501	13,036,928
Income applicable to minority interests	22,500	22,500
Net income (note 1)	13,374,001	13,014,428
Retained earnings, beginning of year	31,704,926	24,651,647
	45,078,927	37,666,075
Dividends	6,969,517	5,961,149
Retained earnings, end of year	$ 38,109,410	$ 31,704,926
Earnings per share (note 1)	$ 1.34	$ 1.31

(See accompanying notes to the consolidated financial statements)

Consolidated Statement of Source and Application of Funds

For the Year Ended December 31, 1969
(with comparative figures for the year 1968)

	1969	1968
Source of funds:		
Operations —		
Net income	$13,374,001	$13,014,428
Depreciation, depletion and amortization	9,741,461	9,759,760
Total funds from operations	23,115,462	22,774,188
Long-term borrowings	8,626,500	2,000,000
Sale of fixed assets	3,048,880	1,581,480
Issue of shares	53,350	239,283
Net decrease (increase) in premiums paid on acquisitions	13,895	(412,088)
Other items	150,265	(215,184)
	35,008,352	25,967,679
Application of funds:		
Additions to properties, plant and equipment	21,295,225	16,611,807
Repayments of long-term debt	5,242,893	4,760,967
Dividends paid	6,969,517	5,961,149
Investments in and advances to an affiliated company	1,625,153	661,072
Net increase (decrease) in mortgages and other advances	865,944	(2,592,460)
Increase (decrease) in deferred charges	376,706	(17,908)
Decrease in minority interest	35,820	49,054
	36,411,258	25,433,681
Net increase (decrease) in working capital	(1,402,906)	533,998
Working capital, beginning of year	15,586,061	15,052,063
Working capital, end of year	$14,183,155	$15,586,061

(See accompanying notes to the consolidated financial statements)

Notes to the Consolidated Financial Statements
December 31, 1969

1 ACCOUNTING POLICIES

Production properties —
The companies follow the full-cost method of accounting wherein all costs related to the exploration for the development of oil and gas reserves are capitalized. The total costs thus capitalized are depleted on the composite unit of production method based on the estimated reserves of oil, gas and other saleable products. Prior to 1969, substantially all of the production equipment, gas plants and related facilities was depreciated on the straight-line method. Commencing January 1, 1969, the composite unit of production method was adopted for calculating depreciation. Had this change not been made, the net income for the year 1969 would have been less by $618,000 ($.06 per share).

Refining, marketing and other properties and equipment —
Depreciation is based on the estimated service lives of the assets, calculated on the straight-line method except for vehicles, where the diminishing balance method is used.

Inventories of oil products and other merchandise are shown at the lower of cost and net realizable value. Cost of oil products has been determined on the basis of the last-in, first-out method. Inventories of materials and supplies are shown at the lower of cost and replacement value.

2 INVESTMENT IN AND ADVANCES TO AN AFFILIATED COMPANY

The affiliated company is engaged in establishing its manufacturing processes, and all development and start-up expenses to December 31, 1969, aggregating $2,045,000 have been deferred. The Company has also guaranteed the affiliate's loans of $3,000,000. The recovery of these advances and any liability under the guarantee are dependent on future earnings.

3 PROPERTIES, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation and depletion	Net book value
Production	$153,111,850	$ 55,669,666*	$ 97,442,184
Refining	67,327,509	36,587,055	30,740,454
Marketing	61,925,426	22,799,618	39,125,808
Other	6,232,707	1,584,073	4,648,634
	$288,597,492	$116,640,412	$171,957,080

*includes depletion of $43,933,397

Refinery Expansion —
The Company is planning to increase the capacity of its existing refinery and to add new facilities, the total cost of which is estimated to be $44,000,000. In connection with the construction, the Company will award shortly, a general contract. The Company has entered into a credit agreement to finance this construction whereby a maximum amount of DM 150 million, (approximately Cdn. $44 million) will be made available. Borrowings under the agreement, up to December 31, 1972, are to be by way of a construction loan which, at the option of the Company up to that date, may be repaid in full without penalty, or converted into a long-term loan payable in sixteen equal semi-annual instalments between 1973 and 1980. The interest rate on the construction loan is dependent upon the prevailing Deutsche Bundesbank rediscount rate and, in any event may not exceed 9.4% nor be less than 8.4%. At December 31, 1969, an amount of DM 3 million (Cdn. $871,500) had been drawn down under the terms of this agreement.

4 LONG-TERM DEBT

Petrofina Canada Ltd. —		
Secured:		
6% loans due $300,000 per annum to 1971 and the balance by 1972	2,500,000	
Other	183,138	$ 2,683,138
Unsecured:		
4% Sinking fund debentures, Series A, due 1972 (issued $25,000,000 less converted or redeemed - $15,496,000)	9,504,000	
5¾% Series A debentures, due $1,000,000 annually to 1971 and the balance by 1972	4,500,000	
6½% Series B debentures, due $550,000 annually to 1971 and the balance by 1972	4,159,844	
6½% Series C debentures, due $300,000 annually to 1971 and the balance by 1972	1,600,000	
9% loan due by 1971 (U.S. $3,150,000)	3,403,968	
5¾% loan due $700,000 annually to 1971 and the balance by 1972	4,200,000	
Loans with interest at ½% above the prime rate, due $300,000 annually to 1972 and the balance by 1973	3,700,000	
Construction loan — see note 3 (DM 3,000,000)	871,500	
Other	100,000	32,039,312
		34,722,450
Subsidiaries —		
Secured:		
Production loans with interest at ½% above the prime rate, due by 1976	4,647,840	
6% loans repayable $75,000 per annum and the balance in 1972	625,000	
6¾% First mortgage repayable in monthly instalments to 1981	1,430,829	
Other	423,149	7,126,818

Unsecured:		
6⅛% Guaranteed promissory notes due U.S. $850,000 annually to 1980 and the balance in 1981 (U.S. $10,300,000)	11,121,628	
Non-interest bearing advance (repayments to be based on gas sales)	2,055,000	13,176,628
		20,303,446
		55,025,896
Less instalments included in current liabilities		4,903,426
		$50,122,470

Payments required to meet retirement and sinking fund provisions amount to approximately $9,665,000 in 1971, $23,586,000 in 1972, $6,138,000 in 1973 and $3,578,000 in 1974.
Production loans include an amount of $3,700,000 which had been drawn down by December 31, 1969. The full amount of credit available is $9,500,000, the balance of which will be taken down in 1970 and 1971 as required.
Included in the covenants contained in the trust deeds or other agreements securing certain of the long-term debts, are restrictions regarding the payment of dividends by the Company. At December 31, 1969, approximately $13,539,000 of the consolidated retained earnings was subject to such restrictions.

5 CAPITAL

During the year, 5,150 common shares were issued under the stock option plan. The premium of $1,850 received on the issuance of these shares has been credited to contributed surplus. The Company has reserved 57,400 common shares for issuance under the stock option plan, and as at December 31, 1969, options had been granted on 16,200 shares, particulars being as follows:

Number of shares	Option price per share	Date exercisable
4,500	$11.02	To August 5, 1975
2,600	12.00	To October 31, 1971
2,600	12.625	To January 31, 1974
3,000	13.61	To February 4, 1975
3,500	14.00	To February 29, 1972

6 INCOME TAXES

For income tax purposes, intangible development costs, namely lease acquisition, exploration and drilling costs, have been claimed in excess of the related depletion and amortization reflected in the accounts, thus eliminating or reducing income taxes otherwise payable. On the other hand, capital cost allowances have been claimed in amounts which are less than the related depreciation reflected in the accounts.
The Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes which originate in financial years commencing on or after January 1, 1968. However, The American Institute of Certified Public Accountants does not require tax allocation procedures at this time with respect to intangible development costs in the oil and gas industry. Management does not believe that tax allocation in respect of intangible development costs is appropriate and many other companies in the oil and gas industry in Canada are in agreement with this opinion. Accordingly, no provision has been made for deferred taxes on timing differences involving such costs for the year ended December 31, 1969. At the same time, no credit has been taken for future tax reductions which will result from timing differences involving depreciation and capital cost allowances.
If the tax allocation basis, as recommended by the Canadian Institute of Chartered Accountants, had been followed in current and prior years, a charge against income for the year for income taxes of approximately $700,000 (1968 — $1,400,000) would have been required and the cumulative amount of deferred tax credits to December 31, 1969 would have been approximately $7,200,000 (1968 — $6,500,000).

7 COMMITMENTS AND CONTINGENCIES

During the year, certain service stations were sold to an associated company at their net book value to the Company of $2,035,000 and then leased back for a twelve year period. The Company has guaranteed the financial obligations of this company which, at December 31, 1969, did not exceed $2,000,000.
Annual rentals payable on long-term leases (three years and over) for real property, principally service stations (including those mentioned above) amount to approximately $2,600,000.
Included in mortgages and other advances is an advance of $662,724 (1968 — $588,172) to an associated company which incurred losses in the course of developing its business. There is no reason to believe that these losses, to the extent that they have not already been recovered, will not be fully recovered out of future earnings. At December 31, 1969 the Company was contingently liable under guarantee of bank loans of this company to the extent of $3,425,000 (1968 — $3,700,000).
At December 31, 1969 the companies had guaranteed loans of another company amounting to approximately $1,500,000 and were contingently committed to purchase on or before December 31, 1970 bonds of another company in a maximum amount of $1,580,000.

8 DIRECTORS' REMUNERATION

Remuneration paid to the directors and senior officers of the Company during 1969 was $409,000 (1968 — $389,000).

Petrofina Canada Ltd. and Subsidiaries

Ten-year review of operations

	1969	1968	1967
Statistical			
Crude oil and natural gas liquids production (before royalty) for the year (thousands of barrels)	5,324	5,151	5,305
Natural gas sales (before royalty) for the year (millions of cubic feet)	27,945	24,969	23,494
Number of wells drilled in which Company had participation	85	89	76
Number of wells completed in which Company had participation	44	42	41
Sulphur sales (long tons)	105,700	52,400	81,100
Gross acreage (thousands of acres)	76,700	88,000	15,700
Net acreage (thousands of acres)	10,400	11,300	5,500
Crude oil run to refinery stills for the year (thousands of barrels)	19,125	17,666	15,852
Total outlets used in distribution of refined products	1,625*	1,739	1,731
Number of employees	1,616	1,607	1,491
Financial (in thousands of dollars)			
Gross income for the year	175,003	162,712	155,709
Net income**	13,374	13,014	10,706
Depreciation, depletion and amortization (including amortization of excess cost)	9,741	9,760	10,376
Total cash generated	23,115	22,774	21,082
Working capital	14,183	15,586	15,052
Total assets	266,715	246,864	243,798
Long-term debt	50,122	46,739	49,500
Book value of shareholders' equity	153,208	146,750	139,457

*Number adjusted by reason of re-classification
**See Notes to Consolidated Financial Statements.

1966	1965	1964	1963	1962	1961	1960
5,104	4,614	4,578	4,393	4,306	3,306	2,934
22,057	21,631	22,179	20,320	19,186	6,500	3,399
119	84	66	86	143	142	65
74	43	42	52	112	95	45
74,900	71,500	57,000	49,500	25,100	—	—
6,200	5,800	5,600	5,400	5,800	6,180	5,300
2,900	—	—	—	—	—	—
13,290	12,168	11,702	11,559	10,552	10,461	9,720
1,755	1,783	1,783	1,768	1,751	1,711	1,679
1,388	1,352	1,262	1,116	1,146	1,092	856
143,828	143,345	139,155	131,388	84,551	67,677	61,556
9,292	8,549	7,076	6,973	6,706	5,517	1,031
9,442	8,870	8,950	8,191	8,490	7,116	6,518
18,920	17,550	16,157	16,399	16,519	14,069	8,740
15,721	12,396	10,370	10,153	12,993	11,251	11,262
229,231	220,349	203,808	201,761	185,818	182,938	174,124
39,838	34,378	31,935	27,910	27,808	30,699	30,352
134,352	130,999	127,737	126,266	125,038	122,981	117,399

Auditors' Report

To the Shareholders of
Petrofina Canada Ltd.:

We have examined the consolidated balance sheet of Petrofina Canada Ltd. and its subsidiaries as at December 31, 1969 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change in the method of providing for depreciation as explained in note 1 to the consolidated financial statements, were applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants

Montreal, Canada,
February 12, 1970.

FINA

SEMI-ANNUAL REPORT
TO SHAREHOLDERS

Net profits for the first six months of 1969 amounted to $6,305,000, or 63.3 cents per share, compared with $6,245,000, or 62.8 cents per share, in 1968.

The prior year's earnings have been restated to make them comparable with the current year's figures by reflecting a minor change in depreciation accounting policy, which became effective January 1, 1969.

Earnings were adversely affected during the second quarter by a shutdown of the refinery for repairs and maintenance and a decline in the selling price of heavy fuel oils.

In western Canada, substantially lower sulphur prices and a decrease in oil production due to proration more than offset the improvement in sales of gas and natural gas liquids.

Of considerable interest are developments in the exploration and development phase of the Company's operations. Approval of the Alberta Conservation Board has been received for a gas cycling scheme in the important Kaybob South gas field. This gas has been committed to the Northern Natural Gas Company project and partial operations are expected to commence about the end of this year.

The wells drilled this year in Kaybob South, plus those at Benjamin Creek, Marlboro and Zama have increased the Company's proven reserves of natural gas and liquids.

In Hudson Bay, where a 6 1/4% interest is held in approximately 70 million acres of offshore permits, drilling operations commenced early in August.

As at June 30, 1969, the Company held varying iterests in 88.6 million acres (11.7 million net acres) n increase of 400,000 net acres since the end of 1968.

On August 1, 1969, a dividend in the amount of 5 cents per share was declared, as well as an extra vidend of 5 cents per share. These are payable on ptember 15, 1969 to shareholders of record on ugust 15, 1969.

The total dividend declared in August 1968 nounted to 30 cents per share.

A. F. CAMPO
Chairman of the Board

PETROFINA CANADA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the half year ended June 30, 1969

(with comparative figures for the half year ended June 30, 1968)

(Unaudited)

	1969	1968
FUNDS PROVIDED:		
Funds provided from operations –		
Net profit for the period	$ 6,304,951	$ 6,244,619*
Depreciation, depletion and amortization	4,705,784	4,755,536*
	11,010,735	11,000,155
Long-term borrowings	3,000,000	–
Repayment of mortages and other advances	1,848,590	413,477
Sale of fixed assets	1,691,210	581,819
Issue of shares	37,330	23,000
	$17,587,865	$12,018,451
FUNDS USED:		
Additions to properties, plant and equipment	$10,425,970	$ 5,865,165
Repayments of long-term debt	1,719,026	1,448,834
Dividends paid to shareholders	2,986,327	2,979,682
Additions to mortgages and other advances	2,594,569	1,412,484
Net increase (decrease) in working capital	(138,027)	312,286*
	$17,587,865	$12,018,451

* Previous year figures have been restated to make them comparable with the current year. They reflect changes in income tax provision and depreciation accounting policy made effective January 1, 1969.

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PETROFINA CANADA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

for the half year ended June 30, 1969

(with comparative figures for the half year ended June 30, 1968)

(Unaudited)

	1969	1968
Income:		
Operating income	$82,510,393	$85,212,905
Interest and other income . .	852,990	876,938
	$83,363,383	$86,089,843
Deductions:		
Costs, operating, selling and general expense	$69,117,603	$72,192,213
Taxes other than income taxes	1,786,579	1,474,383
Depreciation	2,896,433	2,697,560*
Depletion	1,717,759	1,961,566
Interest and discount on long-term debt...........	1,528,808	1,508,252
	$77,047,182	$79,833,974*
Profit before minority interests	$ 6,316,201	$ 6,255,869*
Income applicable to minority interests	11,250	11,250
Net profit for the period	$ 6,304,951	$ 6,244,619*
Earned surplus at beginning of year	$31,704,927	$24,651,647
Add – Net profit per books	6,304,951	5,655,731
Less – Dividends.........	2,986,327	2,979,682
Earned Surplus at end of period	$35,023,551	$27,327,696

* For purposes of comparison, the profits of the previous year have been restated in this presentation to reflect changes in income tax provision and depreciation accounting policy made effective January 1, 1969. Since these previous year figures are revised only for purposes of comparison, the earned surplus figures as reflected in the company's books have not been altered.

PETROFINA CANADA LTEE ET SES FILIALES

ETAT DE LA SOURCE ET
DE L'EMPLOI DES FONDS

pour le semestre se terminant le 30 juin, 1969
(comparé aux chiffres en date du 30 juin, 1968)
(non certifié par les vérificateurs externes)

	1969	1968
SOURCE:		
Fonds provenant des opérations —		
Bénéfice net du semestre.	$ 6,304,951	$ 6,244,619*
Amortissement et épuisement	4,705,674	4,755,536*
	11,010,735	11,000,155
Emprunts à long terme — net	3,000,000	—
Remboursement d'hypothèques et autres avances	1,848,590	413,477
Vente d'immobilisations ...	1,691,210	581,819
Emission d'actions	37,330	23,000
	$17,587,865	$12,018,451
EMPLOI:		
Addition aux propriétés, installations et épuisement..	$10,425,970	$ 5,865,165
Paiements de dettes à long terme.................	1,719,026	1,448,834
Dividendes versés aux actionnaires............	2,986,327	2,979,682
Acroissement des hypothèques et autres avances	2,594,569	1,412,484
Augmentation (diminution) nette du fonds de roulement	(138,027)	312,286*
	$17,587,865	$12,018,451

* Les chiffres de l'année précédente ont été ajustés pour fins de comparaison avec les chiffres de l'année courante. Ils démontrent les changements dans les provisions de l'impôt sur le revenu et dans notre politique comptable de dépréciation, mise en vigueur le 1er janvier 1969.

PETROFINA CANADA LTEE ET SES FILIALES

ETAT CONSOLIDE DE PROFITS ET PERTES ET
DE BENEFICES ACCUMULES

pour le semestre se terminant le 30 juin, 1969

(comparé aux chiffres en date du 30 juin, 1968)

(non certifié par les vérificateurs externes)

	1969	1968
Revenus:		
Revenus d'exploitation	$82,510,393	$85,212,905
Intérêts et autres revenus...	852,990	876,938
	$83,363,383	$86,089,843
A déduire:		
Prix, de revient, frais d'exploitation, frais de vente et frais généraux	$69,117,603	$72,192,213
Taxes autres que les impôts.	1,786,579	1,474,383
Amortissement	2,896,433	2,697,560*
Epuisement	1,717,759	1,961,566
Intérêts et escompte sur les dettes à long terme	1,528,808	1,508,252
	$77,047,182	$79,833,974*
Bénefice avant participations minoritaires	$ 6,316,201	$ 6,255,869*
Bénéfice applicable aux participations minoritaires	11,250	11,250
Bénéfice net de la période	$ 6,304,951	$ 6,244,619*
Bénéfices accumulés au début de la période	$31,704,927	$24,651,647
Ajouter – Bénéfice net aux livres	6,304,951	5,655,731
Déduire – Dividendes	2,986,327	2,979,682
Bénéfices accumulés à la fin de la période	$35,023,551	$27,327,696

* Pour fins de comparaison, les bénéfices de l'année précédente ont été ajustés pour démontrer les changements dans les provisions de l'impôt sur le revenu et dans notre politique comptable de dépréciation, mise en vigueur le 1er janvier, 1969. Etant donné que les chiffres de l'année précédente seulement ont été changés pour fins de comparaison, l'état des bénéfices accumulés, tel qu'il apparait aux livres, n'a pas été modifié.

RAPPORT SEMESTRIEL AUX ACTIONNAIRES

Les bénéfices nets pour le premier semestre de 1969 se sont élevés à $6,305,000 ou 63.3 cents par action comparativement à $6,245,000 ou 62.8 cents par action en 1968.

A la suite des changements mineurs qui ont été effectués dans la façon de calculer la dépréciation nous avons ajusté les bénéfices de l'année précédente de manière à pouvoir comparer les résultats de 1969 à ceux du premier semestre de 1968.

Au cours du second trimestre, les bénéfices ont été défavorablement affectés par la fermeture de la raffinerie pour réparation et entretien et par une diminution du prix de vente des huiles combustibles lourdes.

Dans l'ouest canadien la hausse des ventes de gaz et condensats n'a pu compenser la baisse substantielle des prix du soufre et la diminution de la production de brut par suite de la proration.

Les progrès accomplis dans l'exploration et les opérations minières de la Compagnie se sont avérés très intéressants. Le Bureau de Conservation de l'Alberta a approuvé un système de recyclage de gaz dans l'important champ de gaz naturel de Kaybob South. Ce gaz a été affecté à la Northern Natural Gas Company, et l'on s'attend à ce que des opérations partielles soient entreprises vers la fin de cette année.

Les puits forés cette année à Kaybob South ainsi qu'à Benjamin Creek, Marlboro et Zama ont augmenté les réserves connues de gaz naturel et des condensats de la Compagnie.

A la Baie d'Hudson, où nous détenons une participation de 6 1/4% sur environ 70 millions d'acres au large des côtés, les opérations de forage ont commencé au mois d'août.

Au 30 juin 1969, la Compagnie détenait des intérêts divers dans 88.6 millions d'acres (soit 11.7 millions d'acres nets), une augmentation de 400,000 acres nets depuis la fin de 1968.

Les Administrateurs de la Compagnie ont, le 1er août 1969, déclaré un dividende de 35 cents par action et un dividende supplémentaire de 5 cents par action. Ces dividendes seront payables le 15 septembre 1969 aux auctionnaires inscrits le 15 août 1969.

Le dividende total déclaré en août 1968 était de 30 cents par action.

A. F. CAMPO
Président du Conseil d'Administration

AR13

LESLIE CHOYCE

DIRECTOR OF PUBLIC RELATIONS
PETROFINA CANADA LTD.
1 PLACE VILLE MARIE
MONTREAL 113, P.Q.

FOR RELEASE
AFTERNOON
MONDAY, NOVEMBER 17, 1969.

Petrofina Canada Ltd. reported to-day the results of operations for the period ended September 30, 1969.

Net profits for the first nine months of 1969 were \$9,142,000, compared with \$10,057,000 for the same period in 1968. Per share earnings were 92 cents, compared with \$1.01 in 1968.

The 1968 earnings were restated to make them comparable with the current year's figures by reflecting a change in depreciation accounting policy which became effective January 1, 1969.

A prolonged shutdown of the catalytic cracker at the Pointe-aux-Trembles refinery and lower realizations on sales of sulphur and heavy fuel oils, together with increased operating costs, contributed to the reduction in earnings.

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